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
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The Accuracy and Inaccuracy of Anti-Prop 6 Arguments

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With the November 5 election just [two weeks away](#), the supporters and opponents of Proposition 6 have marshaled their forces and deployed their best arguments. The proposition's backers have even enlisted [Nolan Ryan](#), that [Texan extraordinaire](#), who in a new [TV spot](#) poses before what looks like a cattle pond and encourages baseball fans: "Don't let the tap run dry; protect our water supply."

Proposition 6 sailed through the statehouse with broad bipartisan support and has drawn [support](#) from the political and business establishment (including many people who are very powerful but not as famous as Nolan Ryan). Opposition has come from the Tea Party and certain environmentalists, though of the major environmental organizations that have taken a stance of Proposition 6, all have been expressed their public support.

There are reasonable policy grounds for opposing the state's new water financing scheme. Still, the anti-Proposition 6 arguments that I have seen have generally focused on points have rhetorical punch but that are not necessarily accurate. For a sampling of the anti-proposition perspective, consider these quotes from recent news articles:

- [League City](#) council member Heidi Thiess has popped up in multiple news sources as an opponent. In a KUHf [story](#), she said: "[State legislators are] coming back to the voters and they're playing on fears with the voters, and they're not letting voters know that they still have \$6.3 billion in bonding authority that they haven't even touched." In an Express-News [article](#), she said state lawmakers "are pulling a con on Texan taxpayers to cover [their] profligate overspending, and we aren't going to let [them] get away with it again."
- A [piece](#) from Texas Public Radio quoted San Antonio activist [Terri Hall](#) as saying: "What this Prop. 6 is not tied to is actual water production – adding water capacity to the system, which is what Texas needs for the growth we're experiencing... What this is really about is stealing water from rural areas and shipping it to urban areas for these special interests, primarily developers ... We're going to use emergency funds in our state to build roads and water? That should be funded out of our core priority base budget instead of coming after our emergency funds."
- The same story quoted Sam Brannon of the Hays County Constitutional Republicans as saying that "new growth should be paying for itself... Rick Perry's out across the country asking businesses to come here. We shouldn't have to pay, give them a discount of \$30,000 per new home lot just because it's coming. That's not the role of Texas taxpayers."
- Linda Curtis, of the Bastrop-based Independent Texans, told the [Star-Telegram](#) that Proposition 6 was unnecessary because the Texas Water Development Board (TWDB) has existing unused evergreen bonding authority. "You have to scratch your head and wonder why we need more money when we haven't touched the \$6 billion revolving bank fund passed in 2011... Water speculators and real estate interests want better terms, when they already have the best credit and borrowing ability of anybody pretty much in the state of Texas right now." In addition, Curtis faulted the TWDB for being overly political: "If you trust a so-called new and improved [TWDB] that has two of three Perry cronies making decisions, then go ahead and vote for Prop. 6, but I won't."
- Bill Bunch, from the environmental NGO Save Our Springs Alliance, has opposed Proposition 6 in the [Dallas Morning News](#) and the [Texas Tribune](#), saying that it would subsidize unnecessary projects and that it does not include enough requirements for conservation and efficiency.
- Debra Medina, an activist who ran for governor in 2010, told the [Lubbock Avalanche-Journal](#) that "the funds will create a great temptation to take on additional debt at a time when local taxpayers face a mountain of debt already and for projects that they may not be able to afford," said conservative activist Debra Medina. "It is critical that taxpayers understand the level of debt they already owe before casting a vote on Proposition 6."

Below, I've distilled down these and other public argument against Proposition 6 into what strike me as the most common criticisms. I've tried to respond even-handedly to each.

- **Unused Bonding Authority:** The argument: The TWDB already has \$6 billion in evergreen, constitutionally sanctioned bonding authority. It has not used all of that authority and therefore does not need more financial resources. The truth: In the last several years, interest rates have been at record lows. Sub-jurisdictions have had less incentive to seek financial assistance from the TWDB. At a certain point, interest rates will increase, and so will demand for the TWDB's help. In addition, the TWDB would unnecessarily constrain itself if it used all of its bonding authority now, since many of the bonds it would issue would be long-term and the agency could not issue additional bonds until outstanding ones were paid down. Finally, the \$2 billion that Proposition 6 would grant the TWDB is not the same as the \$6 billion general obligation bonding authority that the agency has (or the revenue bonding authority that it currently has and that would be expanded under the proposition). These are different financial resources that the TWDB can bundle and deploy strategically depending on the situations it encounters.
- **More Taxes:** The argument: To pay for Proposition 6, taxes will have to go up. The truth: Proposition 6 routes money that is already in the Rainy Day Fund, and that taxpayers have already provided to the state, into the newly created State Water Implementation Fund (SWIFT). That said, there is an opportunity cost to the use of Rainy Day Funds; if state leaders wish to replenish the fund, or to pay for another endeavor that could the SWIFT monies could have been used instead to pay for, they may need to consider raising taxes. Such a scenario is indirect and relatively speculative, however. At a more local level, Proposition 6 may create an environment in which state sub-jurisdictions are more inclined to issue debt that may be repayable or guaranteed wholly or partly through taxes; but the proposition does not grant the sub-jurisdictions any new taxing or debt-issuing authority.
- **More Debt:** The argument: Proposition 6 will cause state debt and/or local debt levels to increase. The truth: Proposition 6 gives the TWDB slightly expanded revenue bonding authority but no other authority to issue new debt. The only way the proposition could cause state general obligation debt to increase is if it makes the issuance of general obligation debt under existing authority more attractive. By increasing the amount and type of financial assistance the TWDB can provide to sub-jurisdictions, Proposition 6 may encourage some sub-jurisdictions to issue bonds. The exact influence the proposition could have on local debt levels is difficult to predict.
- **Higher Utility Rates:** The argument: Proposition 6 will push up utility rates. The truth: Proposition 6 will not on its own affect utility rates. Water is notoriously underpriced; mounting scarcity will cause rates to increase, no matter whether Proposition 6 passes. Proposition 6 could encourage sub-jurisdictions to pursue water projects that may be repaid in whole or in part through higher water rates. But the sub-jurisdictions could pursue such projects even without Proposition 6. The rate structures the sub-jurisdictions develop will determine which constituencies will shoulder the greatest financial burdens.
- **Growth Creates Demand-Side Problems:** The argument: The state's leadership class should stop encouraging growth, or should at least require new arrivals to pay for the marginal demands they place upon infrastructure. The truth: it is an oversimplification to say that current users are entitled to current water supplies and that future users should have to pay their own way. Current water users rely on water projects that past generations financed and built (indeed, this is currently the case for much infrastructure in this country, including in other sectors such as energy and transportation). If current users used less water, more water would be available for new users; blaming future users (and trying to fight growth) for shortfalls prioritizes even the most extravagant current uses above even the most modest and efficient future uses. It is more productive to think of the margins of water use in terms of how efficiently that water is used rather than when chronologically the water is used.
- **The TWDB is Overly Politicized:** The argument: The governor has appointed his allies to the TWDB, which as a result will probably funnel financial assistance to the most politically connected projects rather than to the most deserving projects. The truth: H.B. 4 overhauled the TWDB's governance; these changes have already occurred and are not dependent on Proposition 6. The governor now exerts more control and influence over the TWDB than he previously did. The TWDB is not the only state agency to be run by gubernatorial appointees, nor is it the only one to which he has appointed allies who did not have extensive substantive experience in the policy areas which they were to regulate. (His most recent appointee to the PUC, for instance, had [no background](#) in energy.) An unusual feature of Proposition 6 is that it would create of an "advisory committee" to oversee the development and use of the SWIFT. The committee would consist of the comptroller (or her appointee) and appointees from the lieutenant governor and house speaker. The presence of this committee could make an already somewhat political process even more expressly political. Yet the seven-member advisory committee, the TWDB board members, and the assorted stakeholders involved in allocating SWIFT financial assistance will ideally come from such a broad range of perspectives as to balance each other out. The process could be political but pluralistic.
- **Conservation and Efficiency:** The argument: Proposition 6 encourages the development of unnecessary new infrastructure and does not sufficiently promote water conservation and efficiency. The truth: Proposition 6 and H.B. 4 require that 20 percent of SWIFT monies go toward conservation or reuse. Additional monies could go toward conservation but do not have to; the dollars put toward new concrete infrastructure could thus dwarf the amount that goes toward conservation. And because there is no definition of conservation, the "conservation" projects that receive financial assistance could end up conserving only in the loosest sense.
- **New Water:** The argument: Proposition 6 won't create new water. The truth: The water supplies in Texas, as is the case everywhere, are finite. We cannot create more water but we can: (1) create a new supply of water by ratcheting back our water usage and viewing the conserved water as a resource; (2) importing water from elsewhere; and (3) treating water (i.e., brackish groundwater, flowback) that is of too poor a quality to use so that it reaches a state where it can be used for one purpose or another. SWIFT can only be used to finance projects in the State Water Plan, which includes projects that would "create" water through all three of the above methods.

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